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SUBJECT: DJIBOUTI JULY-SEPTEMBER ECON-ESTH ROUNDUP

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DJIBOUTI'S NEW BANKS EXPAND PRODUCT RANGES, CUSTOMER BASE

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**¶2.** Several of the newcomers to Djibouti's growing financial services sector (ref A) recently reported positive growth and unveiled new services:

--The Djibouti branch of the Yemen-based Cooperative and Agricultural Credit (CAC) Bank opened a new headquarters in the downtown banking district August 16. CAC had previously been located in an area relatively inaccessible to the general public inside the port of Djibouti. CAC employs 30 people, most of whom are Djiboutian. It has put an emphasis on e-banking products, and on attracting previously underserved groups, including low- and medium-income families. In addition, CAC hopes to serve the large number of small-scale, Djibouti-based traders who import goods from Yemen.

--Saba Islamic Bank's Djibouti branch, inaugurated in 2006,

recently announced a deposit growth rate of 144 percent in 2008. Saba has invested in low-income housing construction projects, and plans to expand its automatic-teller network and introduce a text-message banking service. The Yemen-based bank has a team of 40, of whom 35 are Djiboutian nationals.

--The Deposit and Credit Bank of Djibouti (DCBD) signed an agreement with the European Commission in June, allowing the European Investment Bank to hold shares in DCBD's capital. This agreement will support Djibouti's National Initiative for Social Development aimed at promoting economic growth by developing the private sector. BDCD hopes that the agreement will also help expand the bank's customer base among small and medium-sized businesses.

--Salaam African Bank, another recently-established Islamic bank with strong ties to Somalia, became the first bank in Djibouti to offer e-banking services in June, after signing an agreement with state-run monopoly Djibouti Telecom.

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DJIBOUTI AIMING TO EXPLOIT  
UNDERUTILIZED FISHING STOCKS

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¶3. According to coverage in the national state-run newspaper "La Nation," plans are underway for a new fishery at Dammerjog, outside of Djibouti City. The facility, funded by GODJ poverty-reduction programs, is to include a cold room, ice-making machine, generator, water supply system, and desalination unit. Fishing currently accounts for less than one percent of Djibouti's GDP, and supports about 1000 people. The fishing fleet of about 300 boats consists largely of 7 to 10 meter boats with outboard motors. On average, Djiboutian fishermen catch about 70 kg of fish per day, using lines and nets.

¶4. In June, President Guelleh inaugurated a new food analysis laboratory, in part aimed at helping Djibouti reach European Union export standards for seafood. The laboratory is managed by the Saudi Arabian company DAFCO, while the GODJ owns a 15 percent share in the project. DAFCO has pledged an investment of USD 10 million in helping train local fishermen and develop small and medium businesses to can sardines and other species. Ministry of Agriculture officials have estimated that Djibouti only exploits about 5 percent of its fishing potential of over 40,000 tons. Workshops in July also aimed at educating fishers and vendors on good hygiene practices.

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A NEW AIRLINE AND AN INCREASE IN PASSENGERS

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¶5. U.A.E.-based budget airline Fly Dubai began serving Djibouti September 1 with three direct flights a week to Dubai. In light of Dubai Ports World management of Djibouti's port and airport and other U.A.E-Djibouti economic ties, Fly Dubai hopes to serve a

growing passenger base. Recent GODJ economic statistics point to an overall slight increase in passenger loads, with Ethiopian Airlines, Yemenia Airlines, and Jubba Air enjoying increases in passenger numbers.

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GODJ ECONOMIC STATISTICS POINT TO GAINS IN  
TOURISM, IMPORT-EXPORT, AND AGRICULTURE

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¶6. According to recent statistics from the GODJ's Ministry of Finance, Djibouti enjoyed gains in several industries in 2008:

--TOURISM: Between 2000 and 2008 the number of tourists visiting Djibouti grew by 166 percent. Of 53,600 arrivals in 2008, seventeen percent were from Gulf States, with five percent from Asia (principally Japan), and three percent from the U.S. and Canada.

--IMPORT-EXPORT: The Port of Djibouti saw a 29 percent increase in imports and an 8 percent increase in exports in 2008, with overall tonnage growing from just over 6 million tons in 2007 to 8 million tons in 2008. Transshipment also grew by 56 percent from 2007. Petroleum product imports were up by 10 percent. (NOTE. These data were collected prior to the opening of the Doraleh Container Terminal at the end of 2008, which has led to a major increase in

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port traffic. END NOTE.)

---AGRICULTURE: Djibouti saw a 25 percent increase in livestock exportations in 2008, with camels as the leading growth sector. In cultivation, Djibouti's production of fruits and vegetables almost doubled between 1993 and 2008, although the locally-grown supply in greenhouses and oases does not yet nearly cover local demand, and most fruits and vegetables are imported from neighboring countries (ref B). The southern region of Dikhil boasts the most cultivated land in Djibouti, with 522 hectares out of a national total of 1,800 hectares in 2007-2008. Less than one percent of Djibouti's land is arable.

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NEW ENVIRONMENT CODE

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¶7. On July 1, the GODJ promulgated a new Environment Code. The new code establishes Djibouti's environment as part of the national patrimony for current and future generations. It sets out basic rules and fundamental principles for environmental protection and management, in conformity with sustainable development principles and multilateral environmental agreements. While guaranteeing that every citizen has the right to enjoy a healthy environment, the law also stipulates that every citizen has the obligation to preserve and protect the environment.

MULTI-DONOR PROJECT TO PROTECT  
DJIBOUTI'S REMNANTS OF AN ANCIENT FOREST

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¶8. A new USD 11.6 million multi-donor project in Djibouti's northern Day Forest, the PROMES-GDT (Program for the Mobilization of Surface Waters and Sustainable Land Management) aims to educate the local population on protecting a unique ecosystem, allow for sustainable use of forest resources to generate income for local families, and begin replanting the forest. Day Forest is a remnant of a much larger ancient forest, located in a mountainous region in Djibouti's north. The forest supports up to 60 percent of Djibouti's biological diversity, including the endangered "francolin," Djibouti's most famous bird. In the last 200 years, it has shrunk from over 7,500 hectares to 1,500 hectares. While a volcanic eruption helped destroy some of the forest's area, human impact has also played an important role. Some two-thirds of the forest's juniper trees have died and/or been harvested, as people's use of the forest for pasture and wood increasingly impacts a fragile ecosystem.

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CHINESE ENERGY DEAL

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¶9. The GODJ signed two energy agreements July 27 with the Chinese company China Gezhouba Group Company Limited (CGCG). CGCG is to carry out geothermal and mining exploration at several sites throughout Djibouti, and to build a gas terminal and a gas-fueled electric power plant with a 150 MW capacity. The GODJ has aggressively sought investment in energy, and especially in renewable energy development, from a variety of sources. Djibouti has signed agreements with private investors on wind and solar projects, and with the Government of Iceland on geothermal development. Djibouti continues discussions with other investors on renewable energy, and met with a United Arab Emirates delegation

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in July.

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NATIONAL EMPLOYMENT AGENCY ON DJIBOUTI'S  
STRUCTURAL EMPLOYMENT CHALLENGES

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¶10. In 2007, the GODJ created a National Agency for Employment, Training, and Professional Insertion (ANEFIP). All job-seekers are technically required to register with ANEFIP, although this provision is often disregarded in practice. ANEFIP is also charged with managing and registering private employment agencies. It has received some external financing (notably from Switzerland), and has set up a web site with job postings. In the future, ANEFIP plans to set up a separate service for young graduates. In coordination with the National Investment Promotion Agency (NIPA), ANEFIP also plans to conduct a survey of companies that invested in Djibouti and signed agreements with NIPA, to evaluate whether such companies had fulfilled promises to create a certain number of

jobs, and why or why not.

¶111. ANEFIP Director Mohamed Ali Kamil recognizes that Djibouti's economic growth does not automatically translate into easy hiring opportunities for young Djiboutians, who face an unemployment rate of 59 percent. The problem, Kamil recently told EconOff, is that Djibouti "doesn't have the product employers are looking for." Employers-including new employers centered on the port and port-related services-are uniformly looking for workers with experience, computer skills, and English language ability. ANEFIP is working with its training center to educate job-seekers in these skills, but acknowledges that matching supply to demand is a challenge. In the second quarter of 2009, only 70 job-seekers of 693 registered with ANEFIP found employment.

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